1969

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D. H. HOWDEN AND COMPANY LIMITED • ANNUAL REPORT • 1969

D. H. HOWDEN & CO. LIMITED

INTERIM REPORT TO THE SHAREHOLDERS

For the Nine Months Ended
September 30, 1969

D. H. HOWDEN & CO. LIMITED
and subsidiary companies

To the Shareholders:

Sales for the first nine months of 1969 increased 12% and profits by 6% compared to the same period in 1968.

Early in September the Company began a 62,000 sq.ft. warehouse addition to the Southdale Road distribution centre. This extension, financed under the present lease agreement with North American Life Assurance Company, will have 20 ft. ceilings to accept high stacking, and will permit the use of improved handling equipment. We anticipate completion about January 1, 1970 at which time order filling and storage will be consolidated into the most modern and low cost distribution facilities.

Inventories show an increase over 1968. In many cases this is a result of heavy stocks of steel and copper products to combat shortages in key areas, as well as the addition of certain new lines of toys for the Christmas season. Higher receivables reflect buoyant September sales, an increase in dated sales for settlement later in October and November, and a slower rate of payment from the electrical construction trades.

The expected profit increase from expanded sales volume has been affected by developmental expenditures which management believes are necessary to support improved future performance. New additions to computer equipment have made possible the conversion of the Electrical Division to data processing early in 1970, as well as implementation of IBM IMPACT or automatic reordering techniques. Also, extensive and costly work is in process, aided by consultants, on the preparation of financial systems for dealers. We expect these to be operative in 1970. Expanded sales have created congestion and higher costs in warehouse operations, and we look to the new addition, and the consequent reorganization of warehouse facilities, to contain these costs and to permit full benefit from future sales growth.

During 1969 the Company hired the consulting firm of Cresap, McCormick and Paget to make an organizational analysis, including a study of executive organization and remuneration, the results of which will enable the Company to better handle future business. Costs of these studies have been deducted from profits.

The balance of the year looks favourable but the full impact of Governmental credit controls on consumer spending is still to be determined. The new warehouse addition and advances in the computer field will permit the Company to take advantage of new marketing opportunities in 1970.

November 10, 1969

D. H. M. Stewart
President

CONSOLIDATED STATEMENT OF EARNINGS

	For the Nine Months Ended September 30	
	1968	1969
Gross Sales	$14,467,207	$16,249,025
Estimated Net Income Before Taxes	439,956	467,973
Estimated Provision for Income Taxes	225,000	240,000
Net Profit After Taxes	$ 214,956	$ 227,973
Dividends to Preference Shareholders	$ 7,588	$ 7,442
Earnings Available to Common Shareholders	$ 207,368	$ 220,531
No. of Common Shares Outstanding	*133,100	500,000
Earnings Per Common Share	**41 cents	44 cents

* 133,100 Common Shares Outstanding September 30, 1968 were split during 1969 into 500,000 Common Shares.
** On basis of 500,000 Common Shares Outstanding.

The above statements are taken from the Company's unaudited interim financial statements as at September 30, 1969 and are subject to adjustment on audit at December 31st, 1969.

D. H. HOWDEN & CO. LIMITED

Distribution Systems
Consolidated

Howden Hardware Dealer Division
Howden Building Products Division
Howden Sporting Goods Division
Howden Electrical Supply
Howden Residential Lighting
Howden Architectural Hardware Division
Howden Computer Horizons Division
Pro Products Division

Related Distribution Systems
Not Consolidated

Pro Hardware (Canada) Limited
Span-Canada Electric Limited

Franchised Affiliates

Over 200 Pro Retail Hardware Stores throughout Ontario

International Affiliates

Pro Hardware Inc.
- over 1300 Franchised Retailers throughout U. S. A., Mexico and Europe

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D. H. HOWDEN & CO. LIMITED

INTERIM REPORT TO THE SHAREHOLDERS

For the Six Months Ended
June 30, 1969

D. H. HOWDEN & CO. LIMITED
and subsidiary companies

To the Shareholders:

With the sale of Common stock to the public in early May, the ownership of the Company now resides with many new shareholders. In welcoming these shareholders to the Company, may I express the hope that Management will have the opportunity of meeting many personally over ensuing years.

Sales for the first six months of 1969 increased by 10% and after tax net profit increased by 10%. Non-recurring expenses in the amount of $25,000 have been deducted from profit.

The installation of the computer system 360-25 is now virtually complete. As with all such extensive installations initial problems arose early in 1969 but these are now behind us. I express appreciation to our Data Processing staff who worked on many occasions both night and day to overcome problems and to bring the installation to a successful conclusion. The Systems staff is now working on plans to expand the use of the computer into dealers' operations by providing them with automatic bookkeeping, accounts receivable, and inventory management services. Three test stores are now in operation. Such a program will be one of the first in North America and will provide the smaller dealers with the most advanced financial control at reduced cost.

The Hardware Division's franchised programs continue to expand, and an additional store merchandising crew has been added to meet dealer demand for store modernization. Building Products and Electric Divisions continue with steady growth and return on investment.

Company sales for July are ahead of the same month a year ago and the outlook for the year remains favourable.

D. H. M. Stewart
President

August 15, 1969

CONSOLIDATED STATEMENT OF EARNINGS

	For the Six Months Ended June 30 1969	1968
Sales	$10,457,478	$9,477,972
Estimated Net Income Before Taxes	313,346	280,868
Estimated Provision for Income Taxes	157,000	140,000
Net Profit After Taxes	$ 156,346	$ 140,868
Dividends to Preference Shareholders	7,442	7,589
Earnings Available to Common Shareholders	$ 148,904	$ 133,279
No. of Common Shares Outstanding	500,000	*133,100
Earnings Per Common Share	30 cents	**27 cents

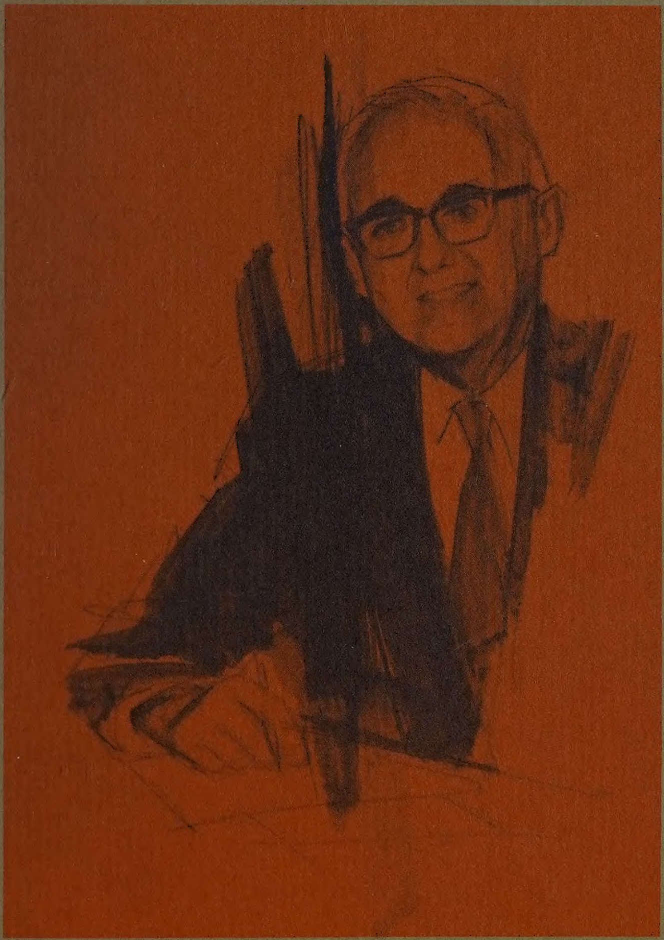
* 133,100 Common Shares Outstanding June 30, 1968 were split during 1969 into 500,000 Common Shares.
** On basis of 500,000 Common Shares Outstanding.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	For the Six Months Ended June 30 1969	1968
Source of Funds		
From Operations		
Net Income for the period	$ 156,346	$ 140,868
Depreciation charged against Income	19,593	18,510
	175,939	159,378
Second Preference Shares Issued	5,500	27,000
Proceeds from First Mortgage Debenture		148,463
Proceeds from Sinking Fund Debenture (6%)	1,000,000	
	$ 1,181,439	$ 334,841
Application of Funds		
Dividends	$ 22,442	$ 27,554
Purchase of new equipment and vehicles	21,446	43,223
First Preference Shares redeemed	10,000	
Reduction of Long Term Debt	106,561	1,906
Increase in Working Capital	1,020,990	262,158
	$ 1,181,439	$ 334,841

The above statements are taken from the Company's unaudited interim financial statements as at June 30th, 1969 and are subject to adjustment on audit at December 31st, 1969.

DIRECTORS' REPORT TO THE SHAREHOLDERS



The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries together with the Consolidated Financial Statement for the year ended December 31, 1969 and the report of your auditors thereon.

Record sales of $21,796,287 increased $2,218,831, or 11%, over 1968.

Consolidated income for the year was $183,911 or 32¢ per share, compared with $258,178, or 47¢ per share, in 1968. There was an extraordinary item of profit occurring from the sale of Toronto real estate in the amount of $181,990 making total Net Income for the year $365,901, or 68¢ per share. The Shareholders equity increased 15% from the year's operations.

During the life of any business there must be periods of reorganization to reorient the business to meet changing conditions and to add new ventures for future growth. The year 1969 was such a year for Howdens. We will review some of the new major developments and accomplishments of 1969.

<u>Stock Issue</u>

To finance sales expansion and to retire the equity position of the former owners, the Company became public in May 1969. The working capital position increased by $1,000,000 making further growth possible.

<u>Data Processing</u>

In January the Company changed its Data Processing System to an IBM 360-25 system. This was the first such installation in Canada. The Company had outgrown its previous system, which had neither the capacity for inventory management nor for expanded dealer services. Unfortunately we encountered major difficulties with the equipment during the first half of 1969, and were forced to use estimated gross margins in financial reporting based on historical patterns.

The problems with the equipment also placed major difficulties on our purchasing staff. During the first part of 1969, they were forced to buy without the benefits of normal records. Naturally inventory levels rose.

To everyone's relief the system began to function properly about mid year but the cost of these problems to our 1969 operation were major. Such an installation is a tremendous undertaking and fortunately it is now all largely behind us. Our system is regarded as a model in the industry, achieved with "blood, sweat and tears" and cost.

<u>Retail Financial System</u>

In May 1970 we will begin to offer for sale our Retail Financial System. A retailer using a new model cash register will capture all of his transactions on a punched paper tape. The tape will be sent to Howdens and fed into Howdens computer. We will then furnish each participating dealer with his Accounts Receivable Statements, Aged Accounts Receivable Analyses, Inventory Management Reports, Profit and Loss Statements, and Balance Sheets. The cost to the dealer should be less than a manual system and the system will provide him with new opportunities to plan and control his business.

Educational seminars to provide the skills to operate

the system will be conducted for dealers and their staff by the staff of Management Horizons Inc., Columbus, Ohio, who are helping us with the preparation of the packages. This retail system will be unique in North America and can in time be sold to many retail trades beyond our particular merchandising field. The system, subject to further negotiations, will be jointly owned by D. H. Howden & Co. Limited and Management Horizons Inc., Columbus, Ohio. D. H. Howden & Co. Limited will receive all of the net income from the sale of the system in Canada.

Computer Horizons

Earlier in 1970 we wrote the Shareholders about a new subsidiary, Computer Horizons (Canada) Limited. This new Company, jointly owned by D. H. Howden & Co. Limited and Computer Horizons Inc. of Columbus, Ohio, will be selling data processing services to Canadian distribution trades. The individual subscriber will have a printer and terminal in his office connected by data lines to the large computer installation in Columbus, Ohio, and will obtain a total Electronic Data Processing system at a lower cost than a less effective individual system. Computer Horizons Inc. (the U.S. Company) now has sufficient subscribers to provide the necessary economic base for a secure and lasting business, both from the Columbus point of view and that of the subscriber, and will be activated on April 30th of this year. Computer Horizons (Canada) Limited will become operative in May. It should be pointed out that the Canadian Company will be a sales organization with limited capital invested. However there will be several million dollars invested in the U.S. Company which is outside Canadian responsibilities. Until activation all Canadian costs are to be borne by Howdens. Afterwards all further investment and revenues will be shared jointly with Computer Horizons Inc. Howdens present data processing managers will become the staff of Computer Horizons (Canada) Limited, thus transferring present Howden cost to Computer Horizons (Canada) Limited. The U.S. staff will require 18 months to program the system, which will become fully operative in the last quarter of 1971.
Ten subscribers will provide an economic base for Computer Horizons (Canada) Limited and Howdens will of course be a Canadian subscriber. Each subscriber will pay an initial fee to share programming cost and to help finance the project during the preparatory 18 month period.
In explanation, the difference between the Computer Horizons concept and current computer time-sharing companies is essentially one of Computer Horizons selling a total on-going system with all programming and educational training included instead of the usual practice of selling computer power with the installation work and programming still to be completed. It is a new concept, with Canadian subscribers benefiting from the larger U.S. volumes.

Real Estate

During last September we began the construction of a 65,000 sq. ft. warehouse addition to our London warehouse. Included, is a 5,000 sq. ft. office expansion, which will house our computer operation and Building Products Division, making possible a rearrangement of present office facilities. The financing of the addition was effected by a $350,000 leaseback arrangement with the North American Life Assurance Company.
In November we sold the Toronto real estate at a profit of $181,990 after providing for tax on the recapture of depreciation. Part of the purchase price was paid by a $255,000 9½% mortgage payable over 10 years.
As a result of these changes all order production will be consolidated in new modern facilities in London.
We will continue to have Telex connecting the Toronto area to London to speed transmission of orders from dealers.

Franchise Operations

a) Sales to Pro Stores.
During the year, we added 17 new Pro franchise stores and the number of franchised dealers now stands at a new high of 208. We had 3 merchandise crews at work during the year modernizing stores and installing the Pro system. Sales to Pro stores increased satisfactorily.
b) Building Products.
We are presently engaged in the development of a franchise program for Building Supply dealers, called Wiseway Home and Building Centres Limited and we expect this new program to become operative during 1970. The Wiseway program will be unique and we expect it will expand the Company merchandising to new areas of the Building Supply business on a brokerage basis. The objective of the program is to work with key Building Material dealers to improve their merchandising capabilities and their profit return on invested capital.

The Wiseway Dealer Financial System will be a central element to the program. We look for this development to be a major growth area in ensuing years.

Electrical Supply Division

Unfortunately the Electrical Supply Division had a somewhat disappointing year. Sales declined in the last quarter; errors in costing became apparent at year end; and expected gross profit margins did not materialize. New policies have been instituted together with substantial reduction in operating costs to restore profit levels. In April the Electrical Supply will join the data processing system and management will then gain new control over inventory and pricing.

Company Retail Stores

During the year a new company, D. H. Howden Stores (Central) Limited was created to control the 4 Company-owned retail stores. The acquisition of these stores was financed out of corporate funds. It should be pointed out that when consolidating the financial statements into D. H. Howden & Co. Limited the retail store inventories must be reduced to Howdens cost. Therefore in 1969 the consolidated profit of Howden was reduced by approximately $22,000 after taxes. This adverse effect only occurs in the first year of consolidation.

Staff

We would point out that approximately 50% of overhead is people. We began 1969 with a staff of 256. Largely as a result of the problems from the data processing installation and the temporary need for duplicate systems the staff increased to a maximum of 291 at year end. We are happy to report as of March 31st, the staff has been reduced to 256, with a target of less than 250 when the Electrical Supply joins data processing. These facts will put into more understandable perspective the adverse effect on 1969 profit and at the same time the beneficial effect of staff reduction on the 1970 profit projections.

Non-recurring Expenses

In the fiscal year of 1969, the Company experienced substantial non-recurring expenses, resulting from the data processing installation, the stock issue, the development of new companies, management consultant and legal fees. In total these have been estimated in excess of $30,000 after taxes.

Current Economic Position

The present economic policy of the Bank of Canada, that of reducing the credit structure of the Banking System is having an adverse effect on the ability of dealers to finance their businesses. Many dealers are having their lines of bank credit reduced, which will pass additional financing problems to us. If present conditions continue our credit management expects a busy year, but we are happy to advise Shareholders that the major portion of our dealers are well financed and we believe our reserve, which was increased at the beginning of the year, is adequate.

Outlook

Our business is seasonal in that the first quarter is low to the balance of the year. We wait for the April sunshine. While we are forecasting increased sales volume and profits for 1970, current economic conditions confuse the situation to the point that it is difficult to make confident predictions. Expenses are now in better proportion and we can adjust quickly to change.

Objectives

The Company's objectives continue to be the development of franchise programs for the various market functions we sell, to work closely with fewer accounts in a total way, and to market management and control systems designed to make our customers more profitable. As we help our customers grow, we will share in that growth.

In Appreciation

Our Company has invaluable resources in the goodwill of its customers, the experience and loyalty of its employees, excellent relationships with suppliers and the support of Shareholders. We express appreciation to all and I personally, look forward to a profitable future for all supporters of the Howden organization.

On behalf of the Board,

David H. Stewart

President

London, March 31st, 1970

D. H. HOWDEN & CO. LIMI

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CONSOLIDATED BALANC

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ASSETS

	1969	1968
Current		
Cash	$ 123,404	$ 37,321
Accounts receivable, less allowance for doubtful accounts of $130,768 in 1969 and $98,800 in 1968	3,092,691	2,368,017
Due from directors and officers	–	8,454
Income taxes recoverable	66,146	–
Inventories — at the lower of cost and net realizable value	2,803,080	2,397,661
Prepaid expense	40,872	28,660
Building under construction (Note 2)	135,134	–
	6,261,327	4,840,113
Property, plant and equipment — at cost	491,293	607,179
Less accumulated depreciation	280,503	367,057
	210,790	240,122
Other		
Cash surrender value of life insurance	17,557	16,335
Equity in unconsolidated subsidiaries, at cost (Note 1)	2,810	2,820
Special refundable tax	1,937	3,428
Amount due under agreement of sale (Note 3)	285,000	–
	307,304	22,583
	$6,779,421	$5,102,818

On behalf of the Board

DAVID H. M. STEWART Director

N. McBETH Director

LIABILITIES

	1969	1968
Current		
Bank indebtedness — secured	$1,501,201	$1,508,800
Accounts payable and accrued liabilities	1,618,916	1,156,445
Income taxes payable	—	120,824
Current portion of long-term debt	36,764	12,450
	3,156,881	2,798,519
Long-term debt (Note 6)	1,123,664	129,354
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)		
5 1/2% cumulative redeemable participating sinking fund first preference shares of $50 par value each		
Authorized, issued and fully paid		
1969 - 5,036 shares; 1968 - 5,413 shares	251,800	270,650
3% non-cumulative redeemable second preference shares		
Authorized shares of $1 par value each		
1969 - 422,000 shares; 1968 - 459,500 shares		
Issued and fully paid		
1969 - 270,000 shares; 1968 - 256,000 shares	270,000	256,000
Common shares		
Authorized - 1,000,000 shares without par value		
Issued and fully paid - 500,000	290,500	290,500
Retained earnings	1,686,576	1,357,795
	2,498,876	2,174,945
	$6,779,421	$5,102,818

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at January 1	$ 1,357,795	$ 1,152,
Add: Net income for the year	365,901	258,
	1,723,696	1,410,
Deduct: Dividends —		
First preference shares	14,611	15,
Second preference shares	7,509	6,
Common shares	15,000	30,
	37,120	52,
Balance at December 31	$ 1,686,576	$ 1,357,

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1969

	Years ended December	
	1969	1968
Gross Sales	$21,796,287	$19,577,
Less Sales Tax	1,776,048	1,591,
Net Sales	20,020,239	17,985,
Cost of Sales	15,452,539	13,819,
	4,567,700	4,166,
Cash discounts and sundry income	234,473	224,
	4,802,173	4,390,
Deduct:		
Operating expenses	4,351,967	3,776,
Provision for pending litigation	—	30,
Interest on long-term debt	51,093	7,
Depreciation	32,507	37,
Income from operations	366,606	539,
Provision for taxes on income	182,695	281,
Income before extraordinary item	183,911	258,
Extraordinary gain on sale of land and building (Note 3)	181,990	—
Net income for the year	$ 365,901	$ 258,

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Source		
Income		
Net income for the year	$ 365,901	$ 258,178
Depreciation charged against income	32,507	37,031
	398,408	295,209
Less: Extraordinary gain on sale of land and building	181,990	—
	216,418	295,209
Net proceeds from sale of land and building	254,200	—
Sale of shares in unconsolidated subsidiary	10	—
Refund of special refundable tax	1,491	1,204
Proceeds from sinking fund debenture	1,000,000	—
Proceeds from first mortgage debenture	—	149,579
Proceeds from chattel mortgage	30,000	—
Issue of second preference shares	51,500	54,500
	$1,553,619	$ 500,492
Application		
Investment in property, plant and equipment	$ 75,385	$ 83,689
Increase in cash surrender value of life insurance	1,222	1,188
Investment in shares of unconsolidated subsidiary	—	10
Amount due under agreement of sale	285,000	—
Reduction of long-term debt	35,690	20,225
Redemption of first preference shares	18,850	5,300
Redemption of second preference shares	37,500	10,500
Payment of dividends	37,120	52,758
	$ 490,767	$ 173,670
Increase in working capital	$1,062,852	$ 326,822

1. Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Howden-Howland Limited, Cowan Hardware (1968) Limited and D. H. Howden Stores (Central) Limited. D. H. Howden Stores (Central) Limited commenced operation on August 29, 1969.

The equity of D. H. Howden & Co. Limited in unconsolidated subsidiaries consists of the company's investment in Pro Hardware (Canada) Limited and in Span-Canada Electric Limited. These companies are composed of a number of non-competing wholesalers across Canada who participate in an integrated merchandising program and volume purchasing. While these two companies are technically subsidiaries of D. H. Howden & Co. Limited through ownership of voting control, the volume discounts derived from their operations are apportioned to the participating member companies on the basis of volume. The portion of such volume discounts attributable to the purchases by the D. H. Howden & Co. Limited has been reflected in the accompanying financial statements but it was considered inappropriate to consolidate the assets and liabilities of these companies since they consist primarily of amounts due from unrelated companies to these subsidiaries with offsetting amounts due to various manufacturers for purchases made on their behalf.

Wiseway Home and Building Centres Limited, a wholly-owned subsidiary company, was incorporated on August 15, 1969 but did not commence operations during the year.

On November 24, 1969 D. H. Howden & Co. Limited entered a joint venture agreement with Computer Horizons Inc. of Columbus, Ohio, in the formation of Computer Horizons (Canada) Limited. When operational, this new company will carry on the business of providing data processing services and data processing counselling services in Canada.

2. Building under Construction

The company has contracted, at a cost of approximately $350,000, for the construction of an addition to the premises rented from North American Life Assurance Company. Upon completion in 1970 the addition will be sold to North American Life Assurance Company under a sale and leaseback agreement.

3. Amount due under Agreement of Sale

Under the terms of an offer to purchase dated November 28, 1969, which was accompanied by a deposit of $5,000 and which was accepted by the company on December 2, 1969, the company's land and building in Toronto was sold for $285,000. The agreement allowed the purchaser 21 days from the date of acceptance to investigate the title to the property.

The transfer of the property was completed on February 13, 1970, at which time the company received, as the balance of the purchase price, $15,000 in cash and a first mortgage on the real property of $265,000, bearing interest at $9\frac{1}{2}\%$ per annum calculated half-yearly, not in advance and repayable $15,000 on account of principal on June 15, 1970 and $5,000 quarterly thereafter plus interest.

The extraordinary gain on the sale as set out in the accounts amounted to $181,990 after providing for expenses incident to the sale of $16,800 and related income taxes of $14,000.

4. Lease Obligations

Annual rentals payable for warehouse and retail premises under leases expiring more than three years from December 31, 1969 approximate $91,000. Such leases expire at varying dates before 1987.

5. Contingent Liabilities

The company is contingently liable for trade paper under discount to the amount of $76,498.

6. Long-term Debt

D. H. Howden Stores (Central) Limited 8% chattel mortgage repayable in semi-annual instalments of principal of $2,143 plus interest, maturing August 1, 1976

Current	Long-term	Total
$ 4,286	$ 25,714	$ 30,000

Cowan Hardware (1968) Limited 8% first mortgage debenture repayable in monthly instalments of $1,923 — blended principal and interest, maturing May 1, 1977

Current	Long-term	Total
$13,378	$ 117,050	$ 130,428

D. H. Howden & Co. Limited 6% floating charge sinking fund debentures maturing May 1, 1989

Current	Long-term	Total
$19,100	$ 980,900	$1,000,000
$36,764	$1,123,664	$1,160,428

Under the terms of the Trust Indenture dated May 1, 1969 relating to the 6% sinking fund debentures, the company is required to pay the trustee for sinking fund purposes by May 1 each year commencing 1970, a sum equal to 10% of the company's net income excluding that of subsidiary companies.

7. Capital Stock

First Preference Shares

By supplementary letters patent dated April 2, 1969, the provisions relating to the payments of dividends have been changed so as to confer upon the holders of first preference shares a right to participate in dividends on an equal basis with the common shareholders up to a maximum of $2 per share, after a dividend of $.06 has been declared on each common share.

Under the redemption provisions attaching to the first preference shares, 377 shares were purchased for cancellation during the year at a cost of $17,304.

Second Preference Shares

During the year 51,500 second preference shares were issued for cash and 37,500 shares were redeemed at par value.

Common Shares

By supplementary letters patent dated February 21, 1969, the authorized common share capital was increased to 1,000,000 shares without par value and the 133,100 common shares outstanding were subdivided into 500,000 common shares.

8. Remuneration of Directors and Senior Officers

The aggregate direct remuneration by the company and its subsidiaries to the directors and senior officers for the year ended December 31, 1969 was $146,629.

DIRECTORS

John W. Adams, F.C.A.

John D. Harrison, M.B.E., Q.C.

Donald R. Hughes

David S. R. Leighton, D.B.A.

Norman McBeth

Roy W. Robertson

David H. M. Stewart

OFFICERS

Honorary Chairman of the Board
John J. M. Stewart

President and Chairman of the Board
David H. M. Stewart

Secretary-Treasurer and Director of Finance
Norman McBeth

SENIOR MANAGEMENT

Director — Marketing, Hardware
W. J. Tarvit

Director — Marketing, Electrical Supply
C. W. K. Leroy

Director — Marketing, Building Products
R. T. Foran

Director — Operations
M. C. Humphrey

Director — Systems
S. R. Millar

Director — Merchandising
R. C. McKerlie

Director — Retail Stores
T. Heuthorst

RELATED COMPANIES

Computer Horizons (Canada) Limited
President — S. R. Millar

Wiseway Home and Building Centres Limited
President — R. T. Foran

D. H. Howden & Co. Limited 6% floating charge sinking fund debentures maturing May 1, 1989

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$36,764	$1,123,664	$1,160,428

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8. Remuneration of Directors and Senior Officers

The aggregate direct remuneration by the company and its subsidiaries to the directors and senior officers for the year ended December 31, 1969 was $146,629.

AUDITORS' REPORT

We have examined the consolidated balance sheet of D. H. Howden & Co. Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of income, retained eanrings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

CHARTERED ACCOUNTANTS